

Message Text

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E.O. 11652: NA

TAGS: EIND, ETRN, EEC

SUBJECT: EC AIRCRAFT POLICY

REFS: A) TRANSMITTAL SLIP, DATED MARCH 7 TO EUR/RPE

B) EC BRUSSELS 10170, DEC. 27, 9174

C) EC BRUSSELS 3337

D) EC BRUSSELS 4332, JUNE 19, 1974

1. SUMMARY: THE COMMISSION HAS SENT TWO NEW AIRCRAFT POLICY PAPERS TO THE EC COUNCIL (WHICH HAVE BEEN AIRPOUCHED TO EUR/RPE), ONE A STATISTICAL STUDY, THE OTHER CONTAINING IDEAS FOR AN EC POLICY. THE COMMISSION ARGUES FOR INDUSTRIAL CONSOLIDATION AND RESTRUCTURING AND SUGGESTS THAT THE EC INDUSTRY'S FUTURE LIES IN SHORT AND MEDIUM HAUL AIRCRAFT. ALTHOUGH THE BROAD IDEA OF A COMMON EC AIRCRAFT POLICY MAY NOT GET OFF THE GROUND, THE COMMISSION IS ALSO ACTIVE IN BRINGING EC INDUSTRY AND GOVERNMENT OFFICIALS TOGETHER. INCREASED EC INDUSTRIAL COLLABORATION COULD RESULT FROM THE COMMISSION'S ROLE AS AN "HONEST BROKER". END SUMMARY.

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2. THE EC COUNCIL APPROVED A RESOLUTION ON COOPERATION

AND COORDINATION IN THE AIRCRAFT SECTOR IN DECEMBER 1974 AND ACCEPTED THE OFFICIAL TEXT ON MARCH 4, 1975 (SEE REFS A AND B). INCLUDED IN THE RESOLUTION WAS THE REQUEST THAT THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) SUBMIT TO THE COUNCIL BY OCT. 1975, A REPORT ON THE SITUATION IN THE EUROPEAN AIRCRAFT INDUSTRY AND THE MEASURES NECESSARY FOR THE DEVELOPMENT OF THE INDUSTRY. THE COREPER REPORT IS TO BE BASED ON A REPORT OF THE EC COMMISSION WHICH IS CURRENTLY IN PREPARATION. THE COMMISSION HAS, HOWEVER, SUBMITTED TWO INFORMATION PAPERS TO THE COUNCIL WHICH UNDERLINE THE DETERIORATION OF THE EUROPEAN AIRCRAFT INDUSTRY'S SHARE OF THE WORLD CIVIL AIRCRAFT MARKET AND THE URGENT NEED FOR THE DEVELOPMENT OF A EUROPEAN CIVIL AIRCRAFT POLICY BASED ON, INTER ALIA, INTEGRATION OF THE NATIONAL MANUFACTURERS AND INDUSTRIAL PROGRAMMING AT A EUROPEAN LEVEL. (COPIES OF THE TWO PAPERS HAVE BEEN AIR POUCHED TO EUR/RPE).

3. THE FIRST PAPER, "THE EUROPEAN AEROSPACE INDUSTRY, POSITION AND FIGURES," IS A HIGHLY DETAILED STATISTICAL STUDY OF VARIOUS ASPECTS OF THE INDUSTRY INCLUDING THE WORLD MARKET BY TYPE OF CIVIL AIRCRAFT, GENERAL TRENDS, THE MARKET FOR MILITARY AIRCRAFT, CIVIL AND MILITARY SALES BY THE EC INDUSTRY, LEVEL OF AIRCRAFT MANUFACTURING ACTIVITY IN MAJOR COUNTRIES, ETC. THIS REPORT IS AN UPDATING OF THE STATISTICAL APPENDIX TO THE COMMISSION'S COMMUNICATION TO THE EC COUNCIL OF JULY 1972. BECAUSE OF THE BREADTH OF AREAS COVERED AND DEPTH OF DETAIL, WASHINGTON OFFICIALS FOLLOWING THE AIRCRAFT SECTOR, SHOULD FIND IT USEFUL.

4. THE SECOND PAPER, "THE CIVIL TRANSPORT AIRCRAFT CONSTRUCTION INDUSTRY, SITUATION AND PROSPECTS," PRESENTS CONCLUSIONS AND POLICY OPTIONS TO STRENGTHEN THE EUROPEAN INDUSTRY. AFTER MAKING THE POINT THAT AIRCRAFT CAN ONLY BE SOLD ABROAD IF FIRST SOLD AT HOME, IT NOTES THE FAVORABLE TREND IN EUROPE'S PERCENTAGE OF THE WORLD AIRFLEET. THE VALUE OF THE CIVIL AIRCRAFT FLEET OF THE EC-9 ROSE FROM 14.7

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PERCENT OF THE WORLD FLEET IN 1970 TO 17.9 PERCENT IN 1974 WHILE THE US FLEET DROPPED FROM 63.9 PERCENT TO 48 PERCENT. HOWEVER, EC AIRCRAFT INDUSTRY SALES DROPPED FROM 9.5 PERCENT OF THE WORLD MARKET TO 5.9 PERCENT DURING THIS PERIOD. FROM 1970 TO 1974 THE VALUE OF SALES OF EC AIRCRAFT TO EC AIRLINES DROPPED FROM 33 PERCENT TO 29.2 PERCENT WHILE US SALES TO EC AIRLINES ROSE FROM 67 PERCENT TO 79.8 PERCENT.

IT STRESSES THAT THE EUROPEAN AIRCRAT INDUSTRY'S PROBLEMS
ARE SHORT PRODUCTION RUNS AND THE LARGE NUMBER OF
AIRCRAFT BUILT BY EUROPEAN FIRMS WHICH ARE IN
COMPETITION WITH EACH OTHER.

5. REGARDING MARKET TRENDS FOR THE PERIOD 1975-
1985, THE PAPER ESTIMATES THAT US AIRLINES WILL
CONTINUE TO LOSE THEIR SHARE OF WORLD CAPACITY TO
THE BENEFIT OF NON-EC AIRLINES. THE OVERALL EC
SHARE WILL REMAIN CONSTANT WHILE THEIR SHARE OF
SHORT AND MEDIUM-HAUL TRAFFIC WILL INCREASE. THESE
PROJECTIONS LEAD TO THE FOLLOWING CONCLUSIONS:
A) GREATER INVOLVEMENT IN SUB-SONIC LONG-HAUL AIR-C
CRAFT IS QUESTIONABLE.
B) THERE SHOULD BE CONTINUED EUROPEAN ACTIVITY IN
THE CONSTRUCTION OF "SMALL" AIRCRAFT (LESS THAN
120 PASSENGERS) FOR SHORT AND MEDIUM-HAUL PROJECTS.
C) THERE SHOULD BE A REVIEW OF THE STRATEGIES FOR
A GREATER SHARE OF THE MARKET FOR MEDIUM-SIZED-SHORT
AND MEDIUM-HAUL (120-190 SEATS) ARICRAFT.

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6. THE PAPER ARGUES THAT BECAUSE OF A) THE LARGE
INVESTMENTS NEEDED; B) THE FAILURE UNTIL NOW OF

AD-HOC COOPERATION AMONG EUROPEAN INDUSTRY; C) THE PROVEN VALUE OF EUROPEAN TECHNOLOGY; D) THE IMPORTANCE OF THE AIRCRAFT INDUSTRY; E) POLITICAL INDEPENDENCE; F) BALANCE OF PAYMENTS; AND G) TECHNOLOGICAL SPIN-OFF, EUROPE NEEDS A COMMON AIRCRAFT POLICY. THE PAPER ASSERTS THAT WITHOUT A COMMON POLICY, THERE WILL BE NO EUROPEAN AIRCRAFT INDUSTRY.

7. THE ADOPTION OF A COMMON CIVIL AIRCRAFT PROGRAM WILL REQUIRE STUDIES OF SPECIFIC PROJECTS (AIRCRAFT) AND IMPROVEMENTS IN INDUSTRIAL EFFICIENCY AND MARKETING. IT ALSO REQUIRES AN ANALYSIS OF THE INDUSTRIAL SKILLS AND RESOURCES AVAILABLE, AND THE ELABORATION OF THE STRUCTURE NEEDED FOR INDUSTRIAL COOPERATION FROM AIRCRAFT DESIGN THROUGH MARKETING.

8. REGARDING AN OVERALL STRATEGY FOR COMPETITION AND COLLABORATION WITH US FIRM, THE PAPER ADMITS THAT NEITHER THE COUNCIL OF MINISTERS NOR THE PUBLIC WOULD ACCEPT A POLICY THAT REQUIRED EC LIMITED OFFICIAL USE

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AIRLINES TO BUY EC PLANES WHICH WERE NON-COMPETITIVE. IT LISTS THREE OPTIONS: A) HEAD-ON COMPETITION WITH US INDUSTRY; B) TARGETING GAPS IN THE MARKET; C) ACCOMMODATION WITH AMERICAN INDUSTRY WITH A VIEW TO A BALANCED DIVISION OF EFFORT. THE PAPER RECOGNIZES THAT BILATERAL COOPERATION BETWEEN CERTAIN EUROPEAN MANUFACTURERS AND US MANUFACTURERS (E.G. BOEING AND AERITALIA ON THE 747 PROJECT) HAVE TO BE TAKEN INTO ACCOUNT.

9. THE PAPER STATES THAT FINANCIAL SUPPORT FOR A COMMON PROGRAM COULD BE SPLIT BETWEEN THE STATES CONCERNED AND THE COMMUNITY BUDGET. COMMUNITY FUNDS COULD COME FROM THE EUROPEAN INVESTMENT BANK, THE SOCIAL AND REGIONAL FUNDS PLUS NEW FUNDS TO FINANCE R&D AND MARKETING. THE SUGGESTED EUROPEAN EXIMBANK WOULD ALSO BE IMPORTANT (SEE REFTEL C).

10. COMMENT: WHETHER A COMMON EC PROGRAM SUGGESTED BY THE COMMISSION COULD OBTAIN APPROVAL OF THE COUNCIL IS HIGHLY PROBLEMATIC. THE COMMISSION HAD TO DROP EARLIER PROPOSALS FOR GREATER COORDINATION (SEE REFTEL D). HOWEVER, THE COMMISSION IS INVOLVED IN A MORE PRACTICAL EXERCISE AS IT SERVES AS A CATALYST TO BRING EUROPEAN INDUSTRY AND GOVERNMENT OFFICIALS TOGETHER IN BRUSSELS TO DISCUSS THEIR PRESENT DIFFICULTIES AND POSSIBLE SOLUTIONS.

REFLECTING THIS PRAGMATIC APPROACH, A COMMISSION
OFFICIAL TOLD US THAT THE ONLY EC AIRCRAFT WITH
SERIOUS POTENTIAL IS THE AIRBUS AND SAID DISCUSSIONS
IN BRUSSELS DEALT WITH STRATEGIES TO MARKET THE
AIRBUS AS EXTENSIVELY AS POSSIBLE. HE THOUGHT THAT,
IF THE AIRBUS SUCCEEDED, A COMMON EC PROGRAM COULD
EVENTUALLY BE BASED ON MODIFICATION OF THE AIRBUS
TO PENETRATE DIFFERENT MARKET SECTORS. WE TRIED
THE AIRBUS IDEA OUT ON A BRITISH PERM REP CONTACT.
HE DOUBTED ANY UK INTEREST IN SUPPORTING AIRBUS
PROJECTS SINCE THE BRITISH GOVERNMENT HAD PUT ITS
MONEY IN THE TRISTAR AND THE TWO PLANES ARE DIRECT
COMPETITORS.

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